

NEW MARKET COMMUNITY SCHOOL DISTRICT
NEW MARKET, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-14
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	16-17
B Statement of Activities	18-21
Governmental Fund Financial Statements:	
C Balance Sheet	22
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	23
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-25
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	26
Proprietary Fund Financial Statements:	
G Statement of Net Assets	27
H Statement of Revenues, Expenses, and Changes in Net Assets	28
I Statement of Cash Flows	29-30
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	31
K Statement of Changes in Fiduciary Net Assets	32
Notes to Financial Statements	33-45
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Fund	48
Notes to Required Supplementary Information – Budgetary Reporting	49
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	52
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	54
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	55
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	56
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	57-58
SCHEDULE OF FINDINGS	59-61

NEW MARKET COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Dan Kirsch	President	2004
Alan Brown	Vice President	2005
Rick Cabbage	Board Member	2005
Teresa Ganley	Board Member	2006
Jason Harrison	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Alan Brown	President	2005
Rick Cabbage	Vice President	2005
Brian Fine	Board Member	2007
Teresa Ganley	Board Member	2006
Jason Harrison	Board Member	2006
<u>School Officials</u>		
Russell Hilker	Superintendent	2005
Jennifer Graham	District Secretary/Treasurer	2005
Richard Wilson	Attorney – Property Issues	Indefinite
Robert Reynoldson	Attorney – Education & Policy Issues	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New Market Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New Market Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New Market Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2005 on our consideration of New Market Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Market Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 12, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Market Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,428,981 in fiscal 2004 to \$1,519,692 in fiscal 2005, while General Fund expenditures increased from \$1,458,807 in fiscal 2004 to \$1,550,885 in fiscal 2005. The District's General Fund balance decreased from \$28,813 in fiscal 2004 to \$(2,380) in fiscal 2005.
 - Reading First Grant: This is a three-year grant starting in fiscal 2004, generating \$34,604 in that year. Funds generated in fiscal 2005 were \$52,061.
 - REAP Grant: This grant generated \$12,895 in fiscal 2004 and \$13,514 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to increases in grant expenditures.
- The district has experienced stagnant or declining enrollment for several years. It has decreased from 214.6 students in September 1997 to 175.0 students in September 2004.
- Taylor County passed a one cent local option tax which generated \$22,813 in fiscal 2004 and \$83,278 in fiscal 2005.
- Though fiscal 2003 and 2004 ended with a surplus of special education funds, there was no surplus or deficit of these funds in fiscal 2005.
- The school continues to improve the facilities of the school. In fiscal 2005, over \$13,000 of expenditures went to the improvement of the building including installation of new carpet and updated electrical service throughout parts of the school.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of New Market Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report New Market Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which New Market Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

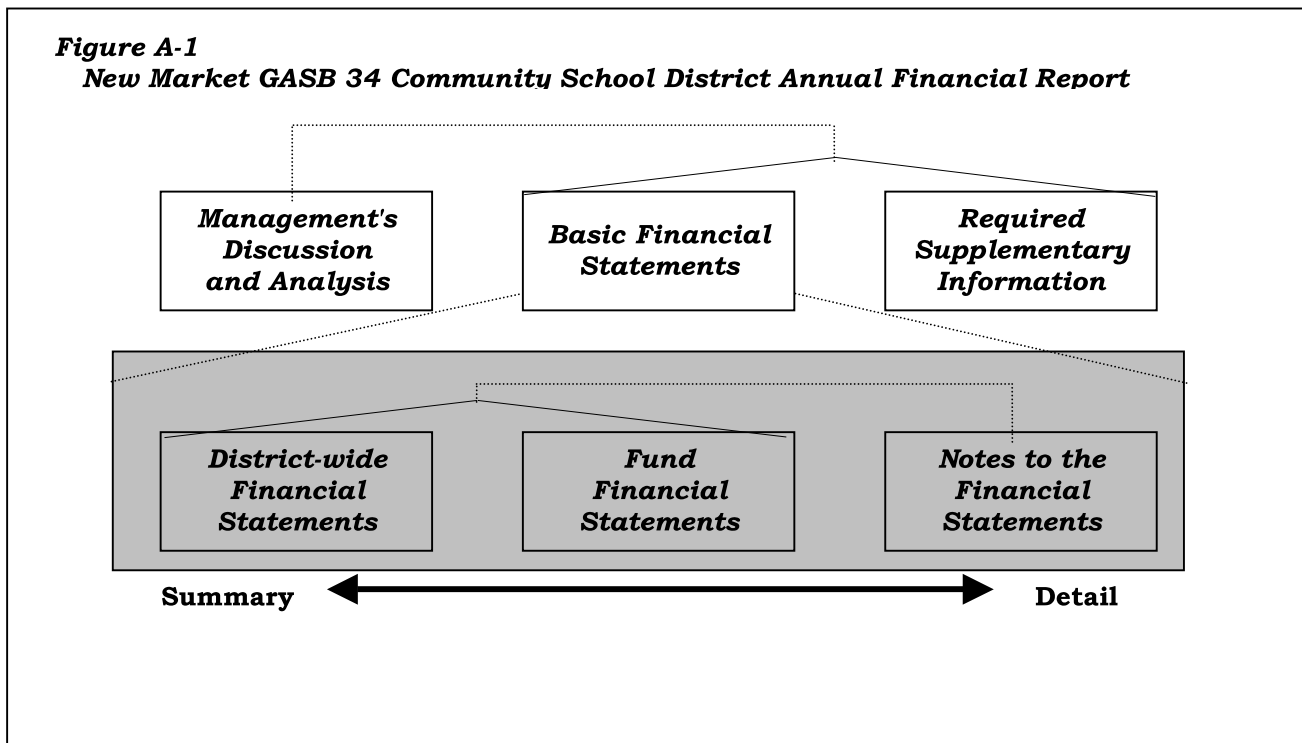


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$1,106	1,128	3	3	1,109	1,131	-1.9%
Capital assets	146	135	1	2	147	137	7.3%
Total assets	1,252	1,263	4	5	1,256	1,268	-0.9%
Long-term liabilities	-	-	-	-	-	-	-
Other liabilities	802	875	-	-	802	875	-8.3%
Total liabilities	802	875	-	-	802	875	-8.3%
Net assets:							
Invested in capital assets, net of related deb	146	135	1	2	147	137	7.3%
Restricted	301	190	-	-	301	190	58.4%
Unrestricted	3	63	3	3	6	66	-90.9%
Total net assets	\$450	388	\$4	5	\$454	393	15.5%

Figure A-4 shows a summary of the change in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues:							
Program revenues:							
Charges for services	40	48	14	20	54	68	-20.1%
Operating grants, contributions & restricted interest	253	233	27	28	280	261	7.3%
Capital grants, contributions & restricted interest	-	21	-	-	-	21	-100.0%
General revenues:							
Property tax	554	537	-	-	554	537	3.2%
Local option sales and service tax	83	23	-	-	83	23	260.9%
Unrestricted state grants	666	635	-	-	666	635	4.9%
Unrestricted investment earnings	5	2	-	-	5	2	150.0%
Other	50	41	-	-	50	41	22.0%
Total revenues	1,651	1,540	41	48	1,692	1,588	6.5%
Program expenses:							
Governmental activities:							
Instruction	1,099	1,031	-	-	1,099	1,031	6.6%
Support services	422	404	-	-	422	404	4.5%
Non-instructional programs	1	3	41	49	42	52	-19.2%
Other expenses	67	96	-	-	67	96	-30.2%
Total expenses	1,589	1,534	41	49	1,630	1,583	3.0%
Change in net assets	\$62	6	\$0	(1)	\$62	5	1140.0%

GOVERNMENTAL ACTIVITIES

In fiscal year 2005, revenues for governmental activities were \$1,651,268 while expenses were \$1,589,429 resulting in an overall net asset increase of \$61,839. The increase in net assets is due mainly to local option sales tax funds which have not been spent yet.

The cost financed by users of the district's programs was \$39,555.

Federal and state governments subsidized certain programs with grants and contributions totaling \$253,136.

The net cost of the governmental activities was financed with \$675,470 in property and other taxes, \$17,481 in unrestricted local sources, and \$665,632 in unrestricted state sources.

BUSINESS TYPE ACTIVITIES

In fiscal year 2005, revenues of the district's business-type activities were \$40,673 while expenses were \$40,817. The School Nutrition Fund is the only program in the district's business-type activities. Revenues were comprised of breakfast and lunch charges, federal and state reimbursements, interest income and miscellaneous receipts.

At the end of fiscal 2004, the General Fund made a permanent transfer to the School Nutrition Fund in the amount of \$2,600, giving the School Nutrition Fund a positive balance. Before the 2004-2005 school year, the New Market Community School Board of Directors approved an increase in the amount to charge for a lunch and breakfast ticket. At the end of fiscal 2005, the General Fund made a permanent transfer of \$650 to the School Nutrition Fund. This was an improvement of \$1,950.

INDIVIDUAL FUND ANALYSIS

As previously noted, New Market Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures.
- In fiscal 2004, the district's General Fund balance decreased \$29,826. During the current year, due to several factors including declining enrollment, state budget cuts and increasing costs, the General Fund balance decreased \$31,193.
- In fiscal 2004, the district's Special Revenue Management Fund balance increased \$20,442 due to an increase in the tax levy and liability insurance cost increases which were lower than expected. In fiscal 2005, the Management Fund balance decreased only \$756.

Proprietary Fund Highlights

- In fiscal 2004, the School Nutrition Fund net assets remained basically unchanged with only a \$1,178 decrease in net assets for the year. In fiscal 2005, the School Nutrition Fund net assets again remained basically unchanged with only a \$144 decrease in net assets for the year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The district's budget is prepared on the GAAP basis.

- The district's General Fund actual revenues and related instruction expenditures vary from the adopted budget because of the district's practice to budget expenditures at the maximum authorized spending authority. The "unspent balance" is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of district financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars or actual financial position of the district.

During fiscal 2005, New Market Community School District appeared before the School Budget Review Committee for the second year in a row to request modified allowable growth because their unspent balance for fiscal 2004 was negative. That request was again approved.

In spite of the District's budgeting practice the spending authority was exceeded at year end due to the timing of some unexpected expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005 the district had invested \$147,671 net of accumulated depreciation, in a broad range of capital assets, including land, building, equipment, transportation, equipment, and nutrition fund equipment.

The original cost of the district's capital assets was \$618,304. Governmental funds account for \$610,117 with the remainder of \$8,187 in the School Nutrition Fund.

Long-Term Debt

At June 30, 2005, the New Market Community School District had no long term debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the district was aware of several existing circumstances that could significantly affect its financial health in the future.

- Declining enrollment. The town is currently working on a housing program to encourage new families to move into our district.
- Open enrollment. This is a huge negative impact on our district. Legislators should be encouraged to look at the damaging effect it is having on many rural schools. In a survey completed by open enroll families – not one problem was found with New Market Community School District's instructional program or facilities, all chose open enrollment because it was more convenient for the parents. If this trend continues it will be devastating. The school is looking into the options of opening a daycare or preschool facility.
- Salary and benefit settlements which exceed the rate of growth in state funding continue have an adverse impact on the General Fund budget.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for our educational programs.
- Increased health insurance costs continue to impact our district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Graham, District Secretary/Treasurer and Business Manager, New Market Community School District, 600 N Lafayette, PO Box 8, New Market, Iowa, 51646.

Basic Financial Statements

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 247,296	\$ 343	\$ 247,639
Receivables:			
Property tax:			
Current year	15,552	-	15,552
Succeeding year	503,538	-	503,538
Income surtax	35,706	-	35,706
Due from other governments	84,298	-	84,298
Inventories	-	2,587	2,587
Restricted ISCAP assets (note 3):			
Investments	217,803	-	217,803
Accrued interest receivable	1,424	-	1,424
Capital assets, net of accumulated depreciation (note 4)	146,140	1,531	147,671
Total assets	1,251,757	4,461	1,256,218
Liabilities			
Accounts payable	1,051	-	1,051
Salaries and benefits payable	77,062	-	77,062
ISCAP warrants payable (note 3)	217,000	-	217,000
ISCAP accrued interest payable (note 3)	1,557	-	1,557
ISCAP unamortized premium	2,143	-	2,143
Deferred revenue:			
Succeeding year property tax	503,538	-	503,538
Total liabilities	802,351	-	802,351

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets	\$ 146,140	\$ 1,531	\$ 147,671
Restricted for:			
Management levy	129,780	-	129,780
Physical plant and equipment levy	35,448	-	35,448
Other special revenue purposes	1,697	-	1,697
Capital projects	103,015	-	103,015
State grants	30,219	-	30,219
Unrestricted	3,107	2,930	6,037
Total net assets	\$ <u>449,406</u>	\$ <u>4,461</u>	\$ <u>453,867</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 734,125	\$ 15,241	\$ 160,785	\$ -
Special instruction	294,073	17,634	38,021	-
Other instruction	71,105	6,680	-	-
	<u>1,099,303</u>	<u>39,555</u>	<u>198,806</u>	<u>-</u>
Support services:				
Student services	59	-	-	-
Instructional staff services	34,183	-	-	-
Administration services	169,412	-	-	-
Operation and maintenance of plant services	137,157	-	-	-
Transportation services	81,364	-	1,769	-
	<u>422,175</u>	<u>-</u>	<u>1,769</u>	<u>-</u>
Non-instructional programs	<u>650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	5,414	-	-	-
AEA flowthrough	52,561	-	52,561	-
Depreciation (unallocated) *	9,326	-	-	-
	<u>67,301</u>	<u>-</u>	<u>52,561</u>	<u>-</u>
Total governmental activities	1,589,429	39,555	253,136	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>40,817</u>	<u>14,262</u>	<u>26,405</u>	<u>-</u>
Total	\$ 1,630,246	\$ 53,817	\$ 279,541	\$ -

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (558,099)	\$ -	\$ (558,099)
(238,418)	-	(238,418)
(64,425)	-	(64,425)
(860,942)	-	(860,942)
(59)	-	(59)
(34,183)	-	(34,183)
(169,412)	-	(169,412)
(137,157)	-	(137,157)
(79,595)	-	(79,595)
(420,406)	-	(420,406)
(650)	-	(650)
(5,414)	-	(5,414)
-	-	-
(9,326)	-	(9,326)
(14,740)	-	(14,740)
(1,296,738)	-	(1,296,738)
-	(150)	(150)
(1,296,738)	(150)	(1,296,888)

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 543,028	\$ -	\$ 543,028
11,427	-	11,427
37,737	-	37,737
83,278	-	83,278
665,632	-	665,632
5,052	6	5,058
12,423	-	12,423
1,358,577	6	1,358,583
61,839	(144)	61,695
387,567	4,605	392,172
\$ 449,406	\$ 4,461	\$ 453,867

NEW MARKET COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue Management Levy	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 19,023	\$ 129,082	\$ 99,191	\$ 247,296
Receivables:				
Property tax:				
Current year	14,534	698	320	15,552
Succeeding year	465,839	27,296	10,403	503,538
Income surtax	35,706	-	-	35,706
Due from other governments	43,649	-	40,649	84,298
Restricted ISCAP assets (note 3):				
Investments	217,803	-	-	217,803
Accrued interest receivable	1,424	-	-	1,424
	<u>797,978</u>	<u>157,076</u>	<u>150,563</u>	<u>1,105,617</u>
Total assets	\$ <u>797,978</u>	\$ <u>157,076</u>	\$ <u>150,563</u>	\$ <u>1,105,617</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,051	\$ -	\$ -	\$ 1,051
Salaries and benefits payable	77,062	-	-	77,062
ISCAP warrants payable (note 3)	217,000	-	-	217,000
ISCAP accrued interest payable (note 3)	1,557	-	-	1,557
ISCAP unamortized premium	2,143	-	-	2,143
Deferred revenue:				
Succeeding year property tax	465,839	27,296	10,403	503,538
Other	35,706	-	-	35,706
Total liabilities	<u>800,358</u>	<u>27,296</u>	<u>10,403</u>	<u>838,057</u>
Fund balance:				
Reserved for:				
State grants	30,219	-	-	30,219
Unreserved:				
Reported in nonmajor Special				
Revenue Funds	-	-	37,145	37,145
Undesignated	(32,599)	129,780	103,015	200,196
Total fund balances	<u>(2,380)</u>	<u>129,780</u>	<u>140,160</u>	<u>267,560</u>
Total liabilities and fund balances	\$ <u>797,978</u>	\$ <u>157,076</u>	\$ <u>150,563</u>	\$ <u>1,105,617</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 267,560
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	146,140
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>35,706</u>
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Net assets of governmental activities	<u><u>\$ 449,406</u></u>
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See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue Management Levy	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 553,400	\$ 24,862	\$ 94,693	\$ 672,955
Tuition	31,578	-	-	31,578
Other	15,277	2,205	7,842	25,324
State sources	790,393	26	12	790,431
Federal sources	128,914	-	-	128,914
Total revenues	1,519,562	27,093	102,547	1,649,202
Expenditures:				
Current:				
Instruction:				
Regular instruction	745,704	5,762	-	751,466
Special instruction	294,472	-	-	294,472
Other instruction	60,868	-	8,297	69,165
	1,101,044	5,762	8,297	1,115,103
Support services:				
Student services	59	-	-	59
Instructional staff services	34,183	-	-	34,183
Administration services	168,412	1,000	-	169,412
Operation and maintenance of plant services	121,490	15,667	-	137,157
Transportation services	72,486	5,420	-	77,906
	396,630	22,087	-	418,717
Non-instructional programs	650	-	-	650
Other expenditures:				
Facilities acquisition	-	-	13,712	13,712
AEA flowthrough	52,561	-	-	52,561
	52,561	-	13,712	66,273
Total expenditures	1,550,885	27,849	22,009	1,600,743
Excess (deficiency) of revenues over (under) expenditures	(31,323)	(756)	80,538	48,459

NEW MARKET COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue Management Levy	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	\$ 130	\$ -	\$ -	\$ 130
Net change in fund balances	(31,193)	(756)	80,538	48,589
Fund balances beginning of year, as restated (note 10)	28,813	130,536	59,622	218,971
Fund balances end of year	\$ (2,380)	\$ 129,780	\$ 140,160	\$ 267,560

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 48,589

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 27,277	
Depreciation expense	<u>(15,963)</u>	11,314

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities.

1,936

Change in net assets of governmental activities \$ 61,839

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 343
Inventories	2,587
Capital assets, net of accumulated depreciation (note 4)	<u>1,531</u>
Total assets	<u>4,461</u>
Liabilities	
None	<u>-</u>
Invested in capital assets	1,531
Unrestricted	<u>2,930</u>
Total net assets	<u>\$ 4,461</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>14,262</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	21,305
Benefits	2,887
Purchased services	18
Supplies	16,208
Depreciation	399
	<u>40,817</u>
Operating loss	<u>(26,555)</u>
Non-operating revenues:	
Interest on investments	6
Contributions	650
State sources	583
Federal sources	25,172
Total non-operating revenues	<u>26,411</u>
Change in net assets	(144)
Net assets beginning of year	<u>4,605</u>
Net assets end of year	\$ <u><u>4,461</u></u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 13,961
Cash received from miscellaneous operating activities	301
Cash payments to employees for services	(24,192)
Cash payments to suppliers for goods or services	<u>(13,407)</u>
Net cash used in operating activities	<u>(23,337)</u>
Cash flows from non-capital financing activities:	
State grants received	583
Federal grants received	22,324
Contributions received	650
Temporary loans received	7,000
Temporary loans repaid	<u>(7,000)</u>
Net cash provided by non-capital financing activities	<u>23,557</u>
Cash flows from investing activities:	
Interest on investments	<u>6</u>
Net increase in cash and cash equivalents	226
Cash and cash equivalents beginning of year	<u>117</u>
Cash and cash equivalents end of year	<u>\$ 343</u>

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (26,555)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	399
Commodities used	2,848
(Increase) in inventories	<u>(29)</u>
Net cash used in operating activities	\$ <u><u>(23,337)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$2,848 of federal commodities.

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 3,031	\$ 599
Liabilities:		
Other payables	-	\$ 599
Net assets:		
Reserved for scholarships	\$ 3,031	

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 125	
Interest	<u>43</u>	
Total additions	<u>168</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>100</u>
Change in net assets		68
Net assets beginning of year		<u>2,963</u>
Net assets end of year	\$	<u><u>3,031</u></u>
See notes to financial statements.		

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

New Market Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Market, Iowa, and the agricultural territory in Taylor and Page Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New Market Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New Market Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Taylor and Page County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Management Levy Fund is used to account for the payments of casualty and workers' compensation insurance and certain other employee related liabilities, including unemployment benefits.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2005 will not be received by the District until the fiscal year ending June 30, 2006. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	7-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for unused vacation and sick leave. The District has no compensated absences liability at June 30, 2005.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures exceeded the District's spending authority in the General Fund.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>215,261</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District’s participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/2005	1/27/2006	\$ 103,298	\$ 1,399	\$ 103,000	\$ 1,532
2005-06A	6/30/2005	6/30/2006	114,505	25	114,000	25
Total			\$ <u>217,803</u>	\$ <u>1,424</u>	\$ <u>217,000</u>	\$ <u>1,557</u>

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,250	\$ -	\$ -	\$ 3,250
Capital assets being depreciated:				
Buildings	395,986	8,234	-	404,220
Improvements other than buildings	28,170	-	-	28,170
Furniture and equipment	164,689	19,043	9,255	174,477
Total capital assets being depreciated	588,845	27,277	9,255	606,867
Less accumulated depreciation for:				
Buildings	314,511	7,911	-	322,422
Improvements other than buildings	18,311	1,415	-	19,726
Furniture and equipment	124,447	6,637	9,255	121,829
Total accumulated depreciation	457,269	15,963	9,255	463,977
Total capital assets being depreciated, net	131,576	11,314	-	142,890
Governmental activities capital assets, net	\$ 134,826	\$ 11,314	\$ -	\$ 146,140

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 8,187	\$ -	\$ -	\$ 8,187
Less accumulated depreciation	<u>6,257</u>	<u>399</u>	<u>-</u>	<u>6,656</u>
Business-type activities capital assets, net	<u>\$ 1,930</u>	<u>\$ (399)</u>	<u>\$ -</u>	<u>\$ 1,531</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 1,239

 Other

1,940

 Support services:

 Transportation

3,458

6,637

Unallocated depreciation

9,326

Total governmental activities depreciation expense

\$ 15,963

Business-type activities:

 Food service operations

\$ 399

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Operating Lease

The District is obligated under an equipment lease for two copiers accounted for an operating lease.

Operating leases do not give rise to property rights or lease obligations and therefore are not included as capital assets or long-term liabilities in the District-wide financial statements. The agreement provides for monthly lease payments of \$583, which includes a maintenance agreement during the term of the lease.

The total noncancelable future minimum lease payments under the lease agreement are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2006	\$ 6,996
2007	<u>1,166</u>
	<u>\$ 8,162</u>

The total payments under the agreement for the year ended June 30, 2005 were \$6,740.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute.

The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$36,645, \$35,131, and \$36,896 respectively, equal to the required contributions for each year.

Note 7. Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization, until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$15,743. The District is a plaintiff in a class action lawsuit disputing the assessments made by ISEBA. The outcome of the litigation and the final amount due on the assessment can not be determined at this time.

New Market Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$52,561 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Budget Overexpenditure

Per the Code of Iowa, General Fund expenditures may not legally exceed the District's spending authority. During the year ended June 30, 2005, expenditures exceeded the District's spending authority by \$77,406.

Note 10. Restatement of Beginning Balances

The beginning balance of the Teacher Pop Fund has been reclassified from the General Fund to an Agency Fund to properly reflect the nature of the fund as shown below:

	General Fund	Agency Fund
Beginning fund balance, or total assets, as previously reported	\$ 29,371	\$ -
Amount reclassified to Agency Fund	<u>(558)</u>	<u>558</u>
Beginning fund balance, or total assets, as restated	<u><u>\$ 28,813</u></u>	<u><u>\$ 558</u></u>

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 10. Restatement of Beginning Balances (continued)

The following beginning balances have been restated to properly reflect the accumulated depreciation of buildings and equipment as of June 30, 2004 and the reclassification of funds to the Agency Fund.

	Accumulated Depreciation - Buildings	Accumulated Depreciation - Equipment	Governmental Activities Net Assets
Balance, as previously reported	\$ 281,507	\$ 128,256	\$ 417,320
Adjustments:			
Capital assets	33,004	(3,809)	(29,195)
Reclassification to Agency Fund	<u>-</u>	<u>-</u>	<u>(558)</u>
Balance, as restated	<u>\$ 314,511</u>	<u>\$ 124,447</u>	<u>\$ 387,567</u>

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Required Supplementary Information

NEW MARKET COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Fund Required Supplementary Information Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amount Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 729,857	\$ 14,918	\$ 744,775	\$ 714,477	\$ 30,298
State sources	790,431	583	791,014	824,975	(33,961)
Federal sources	128,914	25,172	154,086	141,200	12,886
Total revenues	1,649,202	40,673	1,689,875	1,680,652	9,223
EXPENDITURES:					
Instruction	1,115,103	-	1,115,103	1,196,736	81,633
Support services	418,717	-	418,717	573,764	155,047
Non-instructional programs	650	40,817	41,467	56,815	15,348
Other expenditures	66,273	-	66,273	162,723	96,450
Total expenditures	1,600,743	40,817	1,641,560	1,990,038	348,478
Excess (deficiency) of revenues over (under) expenditures	48,459	(144)	48,315	(309,386)	357,701
Other financing sources, net	130	-	130	-	130
Excess (deficiency) of revenues and other financing sources over (under) expenditures	48,589	(144)	48,445	(309,386)	357,831
Balance beginning of year, as restated	218,971	4,605	223,576	309,386	(85,810)
Balance end of year	\$ 267,560	\$ 4,461	\$ 272,021	\$ -	\$ 272,021

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures exceeded the District's spending authority in the General Fund.

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Other Supplementary Information

NEW MARKET COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	Student	Physical	Capital	
	Activity	Plant and	Projects	Total
		Equipment		
		Levy		
Assets				
Cash and pooled investments	\$ 1,697	\$ 35,128	\$ 62,366	\$ 99,191
Receivables:				
Property tax:				
Current year	-	320	-	320
Succeeding year	-	10,403	-	10,403
Due from other governments	-	-	40,649	40,649
Total assets	<u>\$ 1,697</u>	<u>\$ 45,851</u>	<u>\$ 103,015</u>	<u>\$ 150,563</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ 10,403	\$ -	\$ 10,403
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>1,697</u>	<u>35,448</u>	<u>103,015</u>	<u>140,160</u>
Total liabilities and fund equity	<u>\$ 1,697</u>	<u>\$ 45,851</u>	<u>\$ 103,015</u>	<u>\$ 150,563</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue			
	Student	Physical	Capital	
	Activity	Plant and	Projects	Total
		Equipment		
		Levy		
Revenues:				
Local sources:				
Local tax	\$ -	\$ 11,415	\$ 83,278	\$ 94,693
Other	6,688	530	624	7,842
State sources	-	12	-	12
Total revenues	<u>6,688</u>	<u>11,957</u>	<u>83,902</u>	<u>102,547</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	8,297	-	-	8,297
Other expenditures:				
Facilities acquisition	-	3,572	10,140	13,712
Total expenditures	<u>8,297</u>	<u>3,572</u>	<u>10,140</u>	<u>22,009</u>
Excess (deficiency) of revenues over (under) expenditures	(1,609)	8,385	73,762	80,538
Fund balances beginning of year	<u>3,306</u>	<u>27,063</u>	<u>29,253</u>	<u>59,622</u>
Fund balances end of year	<u>\$ 1,697</u>	<u>\$ 35,448</u>	<u>\$ 103,015</u>	<u>\$ 140,160</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Junior High - 7th & 8th	\$ 938	\$ 226	\$ 1,352	\$ (188)
Library Club	479	1,162	1,113	528
Shows (Assemblies)	651	315	248	718
Boys' Little League	180	-	180	-
Instrumental Music (Band)	669	2,802	2,973	498
Care-A-Lot	14	-	14	-
Athletics	375	658	892	141
Student Book Club	-	1,719	1,719	-
Intrafund transfers	-	(194)	(194)	-
Total	\$ <u>3,306</u>	\$ <u>6,688</u>	\$ <u>8,297</u>	\$ <u>1,697</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2005

	Balance Beginning of Year, as Restated	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>558</u>	\$ <u>1,470</u>	\$ <u>1,429</u>	\$ <u>599</u>
Liabilities				
Other payables	\$ <u>558</u>	\$ <u>1,470</u>	\$ <u>1,429</u>	\$ <u>599</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 672,955	\$ 593,160	\$ 610,666	\$ 467,605
Tuition	31,578	34,015	17,346	28,039
Other	25,324	22,335	19,235	36,017
State sources	790,431	764,402	759,070	799,215
Federal sources	128,914	126,196	46,221	32,017
Total revenues	<u>\$ 1,649,202</u>	<u>\$ 1,540,108</u>	<u>\$ 1,452,538</u>	<u>\$ 1,362,893</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 751,466	\$ 731,033	\$ 672,747	\$ 661,466
Special instruction	294,472	277,280	267,402	271,870
Other instruction	69,165	22,363	19,918	26,288
Support services:				
Student services	59	89	80	124
Instructional staff services	34,183	21,521	29,672	49,928
Administration services	169,412	166,595	173,550	167,544
Operation and maintenance of plant services	137,157	131,150	116,305	105,995
Transportation services	77,906	96,091	65,213	67,714
Non-instructional programs	650	5,087	577	749
Other expenditures:				
Facilities acquisition	13,712	32,817	9,893	4,910
AEA flowthrough	52,561	52,628	56,126	57,069
Total expenditures	<u>\$ 1,600,743</u>	<u>\$ 1,536,654</u>	<u>\$ 1,411,483</u>	<u>\$ 1,413,657</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
New Market Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New Market Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Market Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Market Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about New Market Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New Market Community School District and other parties to whom New Market Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New Market Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 12, 2005

NEW MARKET COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that all cash receipts and cash disbursements are all done by the same person. However, the principal reviews all bank reconciliations and invoices.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to investigate alternatives and implement wherever possible.

Conclusion – Response accepted.

- I-B-05 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual receipts, disbursements and profit of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel for review. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis. Fundraiser collections and deposits less expenses should reconcile with calculated fundraiser net profit. Implementation of these controls would further secure that all cash collected by the fundraiser has been deposited and recorded.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

- I-C-05 Disbursements – Out of forty disbursements tested, one was supported only by a statement with no detailed invoice.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written detailed documentation prior to the check being released for payment.

Response – We will make sure all future disbursements are properly supported.

Conclusion – Response accepted.

NEW MARKET COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, did not exceed the amount budgeted. However, expenditures exceeded the District's spending authority by approximately \$77,406.

Recommendation – The District should contact the Department of Management to resolve the matter of exceeding the spending authority.

Response – We will contact the Department of Management about the spending authority.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Fine, Board Member Owner of Fine Service	Pest control	\$ 828
Jill Harrison, Spouse of Board Member	Food supplies	23

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions do not appear to represent conflicts of interest.

II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

NEW MARKET COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition – The General Fund has a negative unreserved, undesignated fund balance of \$32,599 and a negative fund balance of \$2,380.

Recommendation – The District needs to explore alternatives to restore the General Fund to a sound financial condition.

Response – The Board is aware of the condition and will work on restoring the District to a sound financial condition.

Conclusion – Response accepted.

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